

Diocesan Policy on Loans to PCCs



DIOCESE OF TRURO
DISCOVERING GOD'S KINGDOM
GROWING THE CHURCH

Brief description:	Interest-free loans to PCCs	Reference	SI002 v2
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Status

This policy updates the Diocesan Policy on Loans to PCCs (Ref SI002) approved on 10 April 2017, in the light of recent loan requests from PCCs.

Introduction

The diocese is approached from time to time by PCCs wishing to undertake capital projects for which they require a loan to provide the necessary liquidity to enable the project to go ahead. Examples would be:

- Where the VAT will ultimately be recoverable under the listed place of worship scheme, but the work must be paid for first, so the loan is to cover the VAT element until the grant is received.
- Where planning permission is required for the sale of some land or a church hall, with the loan being to fund the application for planning, which will then be repaid from the sale of the asset.
- Where a PCC is looking for partial funding for a renewable energy project, and seeks a loan for the balance of funds, to be repaid over time from the feed-in-tariffs or other renewable incentives.

The presumption is that such loans will be repaid from the funds generated or VAT repaid from the project. The diocese will not normally consider loans to PCCs without such an identifiable source of repayment.

Limitations of loans

The diocese has limited funds available to lend to PCCs and therefore the amount and the duration of the loan are linked by the following table:

Loans from	to	Maximum period (months)
£1	£25,000	60
£25,001	£50,000	24
£50,001	£75,000	12
£75,001	£100,000	6

The BDC will annually approve the maximum amount of total loans in issue at any one time as part of the budgeting process. Loans will be made to PCCs on a first-come first-served basis, and will be approved by the Executive. Any individual loan request outside of the terms of this policy will have to be approved by the BDC.

Interest

These loans will be provided at no interest, and would fall under the diocese's Socially Proactive Investment Policy.

In the event that the PCC does not comply with the terms of the repayments, then the whole amount of the loan becomes repayable with immediate effect, and interest will be charged at the rate of 5% per annum above the Bank of England Base Rate (both before and after judgment) on the amount owed.

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Marks of Mission

When deciding whether to provide a loan under this policy, a significant factor that will be taken into account by the diocese will be the extent to which the PCC can demonstrate that the underlying project meets one or more of the Marks of Mission¹.

Link to MMF and reserves

One of the main risks to the diocese is that the PCC repays the loan at the expense of not paying the PCC's MMF call. The application form requires information on last year's MMF payment history, whether they pay MMF monthly, and confirmation that they intend to pay the current year's MMF in full. These, and other factors, such as reserve balances, will be considered by the diocese in deciding whether or not to approve a loan.

Loan application

A loan application form must be completed by the PCC, and include confirmation that the PCC has formally approved the application. The application form must be signed by the incumbent or chair of the PCC and by the PCC treasurer or church warden.

Loan agreement

A legally binding loan agreement will be signed on behalf of the PCC by the incumbent or chair of the PCC; the PCC treasurer or church warden; and one other PCC member. The diocesan secretary or the chair of the Board of Finance will sign the agreement on behalf of the diocese.

Individual PCC members are not required to provide personal guarantees.

¹ The Marks of Mission are: 1. To proclaim the Good News of the Kingdom; 2. To teach, baptise and nurture new believers; 3. To respond to human need by loving service; 4. To transform unjust structures of society, to challenge violence of every kind and pursue peace and reconciliation; and 5. To strive to safeguard the integrity of creation, and sustain and renew the life of the earth